

From reparations bank to central bankers' club

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The reparations, the original *raison d'être* of the BIS, collapsed with the Hoover Moratorium of June 1931 and were effectively ended by the Lausanne Conference of 1932. The BIS remained as an institution in search of a function. It developed the second task named in its Statutes, the promotion of cooperation among central banks, and became the place where governors met each month to discuss the problems of the gold standard, the banking crises of the early 1930s and the exchange controls that spread through Europe. The war years, the transfer of the Czech gold in 1939 and the Bretton Woods resolution of 1944 on the liquidation of the bank have been described in Part D and need not be repeated.¹

The post-war turn began with the European Payments Union. When the member countries of the Organisation for European Economic Cooperation created the Union in 1950 to settle their trade balances multilaterally, they appointed the BIS as its agent. The bank kept the accounts, calculated the monthly positions of each country and executed the settlements. The task brought the BIS back into the centre of European monetary affairs and gave it a reputation for technical competence that silenced the remaining calls for its liquidation. When the European currencies became convertible at the end of 1958, the Union was dissolved and replaced by the European Monetary Agreement, for which the BIS again acted as agent.²

The governors' meetings in Basel acquired in these years the character that earned the BIS the name of the "central bankers' club". The governors of the main European central banks met in Basel once a month, from the 1960s together with representatives of the Federal Reserve, the Bank of Japan and the Bank of Canada. Their meetings were informal and confidential, without published minutes and often without formal decisions. They were followed by dinners at which the most delicate questions were discussed. Gianni Toniolo, the historian of the BIS, has

described how this informality allowed the governors to build trust and to act quickly in a crisis without the constraints of formal intergovernmental negotiation.³

1 Notes

1. See Part D, Chapter V, sections "The crisis of 1931", "The Czech gold", "The BIS during the Second World War" and "The BIS after the war". On the Hoover Moratorium and the Lausanne Conference, see Toniolo, 2005, chapters 4 and 5. To be verified. ↩
2. On the European Payments Union and the European Monetary Agreement, and the role of the BIS as agent, see Toniolo, 2005, chapter 8; Jacob J. Kaplan and Günther Schleiminger, The European Payments Union: Financial Diplomacy in the 1950s, Oxford, 1989. To be verified. ↩
3. Toniolo, 2005, chapters 9 and 10, on the Basel monthly meetings and the culture of informal cooperation among the governors; on the participation of the Federal Reserve, see also the literature on US monetary diplomacy in the 1960s. To be verified. ↩

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